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CHICAGO

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KANSAS CITY

CHICAGO, BURLINGTON & QUINCY 1947

ST. LOUIS

Cover pictures show Burlington passenger stations in its seven largest cities and in the city of Burlington.

NINETY-FOURTH

ANNUAL REPORT

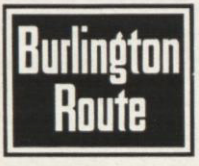
OF THE

BOARD OF DIRECTORS

OF THE

CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY

FOR THE YEAR ENDED DECEMBER 31, 1947



CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY

DIRECTORS

Term Expires 1948

HERBERT M. BUSHNELL.....*President*
U. S. National Bank of Omaha, Nebr.

EDWARD FLYNN.....*Retired Executive Vice President*
Chicago, Burlington & Quincy Railroad Co., Chicago, Ill.

R. DOUGLAS STUART.....*Vice Chairman, Board of Directors*
The Quaker Oats Co., Chicago, Ill.

Term Expires 1949

J. C. JAMES.....*Vice President and General Counsel*
Chicago, Burlington & Quincy Railroad Co., Chicago, Ill.

CHARLES I. STURGIS.....*Retired Vice President, Secretary and Treasurer*
Chicago, Burlington & Quincy Railroad Co., Chicago, Ill.

T. HENRY FOSTER.....*Chairman of the Board*
John Morrell & Co., Ottumwa, Ia.

Term Expires 1950

RALPH BUDD.....*President*
Chicago, Burlington & Quincy Railroad Co., Chicago, Ill.

CHARLES E. DENNEY.....*President*
Northern Pacific Railway Co., St. Paul, Minn.

FRANK J. GAVIN.....*President*
Great Northern Railway Co., St. Paul, Minn.

EXECUTIVE COMMITTEE

RALPH BUDD.....Chairman

CHARLES E. DENNEY	FRANK J. GAVIN	R. DOUGLAS STUART
EDWARD FLYNN	J. C. JAMES	HERBERT M. BUSHNELL

OFFICERS

RALPH BUDD.....*President, Chicago*
KARL FISCHER.....*Vice President, Executive Dept., Chicago*
J. C. JAMES.....*Vice President and General Counsel, Chicago*
LAWRENCE R. CAPRON.....*Vice President, Chicago*
HARRY C. MURPHY.....*Vice President, Chicago*
HERBERT W. JOHNSON.....*Vice President and Comptroller, Chicago*
THOMAS J. THOMAS.....*Assistant to President, Chicago*
JOSEPH P. BLUM.....*General Purchasing Agent, Chicago*
BERT VICKERY.....*Treasurer and Assistant Secretary, Chicago*
EDITH JARVIS ALDEN.....*Secretary, Assistant Treasurer and Transfer Agent, Chicago*
ARTHUR D. McLANE.....*Assistant Secretary, Chicago*
WALTER McFARLAND.....*Assistant General Counsel, Chicago*
ELDON MARTIN.....*General Solicitor, Chicago*
ARTHUR W. LAVIDGE.....*General Auditor, Chicago*
HERBERT R. CLARKE.....*Chief Engineer, Chicago*
RICHARD W. COGLAN.....*Transfer Agent, Chicago*
NICHOLAS STOCKHAMMER, HARRY F. SMITH.....*Fiscal Agents, 2 Wall Street, New York*
GRACE W. WINTERS, HELEN A. STORCH.....*Transfer Agents, 2 Wall Street, New York*
STATE STREET TRUST COMPANY.....*Fiscal Agent and Transfer Agent, State and Congress Streets, Boston*

The above were Directors and Officers as of December 31, 1947.

CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY

Highlights of Operations

	1947	1946	Increase
Operating Revenues	$221,179,011	$195,925,665	$ 25,253,346
Operating Expenses	$149,996,344	$139,250,672	$ 10,745,672
Operating Ratio (Page 17)	67.82%	71.07%	3.25%†
Available for Fixed Charges	$ 33,513,484	$ 29,213,102	$ 4,300,382
Fixed Charges	$ 5,771,614	$ 6,110,328	$ 338,714†
Times Fixed Charges Earned	5.81	4.78	1.03
Total Taxes	$ 34,407,950	$ 25,693,903	$ 8,714,047*
Net Income	$ 27,741,871	$ 23,102,775	$ 4,639,096
Dividend Paid	$ 10,250,322	$ 10,250,322	—
Taxes per Share of Stock	$ 20.14	$ 15.04	$ 5.10
Net Income per Share of Stock	$ 16.23	$ 13.52	$ 2.71
Dividend Paid per Share of Stock	$ 6.00	$ 6.00	—
Average Number of Employes (Includes part time employes)	31,557	32,008	451†
Total Wages	$ 96,081,923	$ 92,244,695	$ 3,837,228
Revenue Ton Miles	19,274,376,178	16,657,848,531	2,616,527,647
Revenue Passenger Miles	955,745,673	1,529,488,860	573,743,187†
Miles of Road Operated–end of year	8,867.39	8,867.45	.06†
Total outstanding Funded Debt including Equipment Obligations	$181,622,126	$183,436,659	$ 69,936,251‡

† Decrease. * See page 13. ‡ Six year reduction 1942-1947, incl.

CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY

Report for the Year Ended December 31, 1947

An outstanding characteristic of railroad operations generally was the performance of a very large amount of service, but with a smaller net income than was earned in 1929 when the volume of business handled and the capacity of the railroad plant were much smaller.

Burlington traffic volume, total operating revenue, net income and per cent net income of total operating revenue were:

Year	Ton Miles	Total Operating Revenue	Net Income	Per cent. Net Income of Total Operating Revenue
1944	19,751,865,060	$240,637,400	$24,647,122	10.24
1945	18,820,919,595	242,542,798	27,405,399	11.30
1946	16,657,848,531	195,925,665	23,102,775	11.79
1947	19,274,376,178	221,179,011	27,741,871	12.54
1929	12,873,521,492	162,409,925	29,576,538	18.21

FREIGHT TRAFFIC

Burlington freight traffic handled in 1947 set a new record for peacetime and was only 2.4 per cent less than in 1944, the all-time high year. Freight revenue was 1 per cent below that of the high year, 1945.

Freight revenue in 1947 was $181,409,104, an increase of $32,511,819 or 21.84 per cent compared with 1946.

Revenue ton miles in 1947 were 15.71 per cent more than in 1946.

Average revenue per revenue ton mile increased from .894 cent in 1946 to .941 cent in 1947 or 5.26 per cent.

Source of Freight Traffic

	1947 Revenue*	Per cent of Total	Change from 1946
Products of Agriculture	$ 46,752,470	24.06	$ 9,856,127 Increase
Animals and Products	12,020,992	6.19	697,211 Decrease
Products of Mines	39,611,090	20.39	12,169,897 Increase
Products of Forests	9,171,875	4.72	1,800,725 Increase
Manufactures and Miscellaneous	72,724,218	37.43	8,759,395 Increase
Less Carload Freight	14,014,624	7.21	1,522,433 Increase
Total	$194,295,269	100.00	$33,411,366 Increase

*Gross freight revenue stated without adjustments for absorptions or corrections which bring the net to $181,409,104.

PASSENGER TRAFFIC

Passenger revenue was $19,029,068 in 1947, a decrease of $8,867,491 or 31.79 per cent compared with 1946.

Revenue passenger miles decreased from 1,529,488,860 in 1946 to 955,745,673 in 1947, or 37.51 per cent.

Average revenue per revenue passenger mile increased from 1.824 cents in 1946 to 1.991 cents in 1947, or 9.16 per cent.

FREIGHT, PASSENGER AND MAIL RATES

Freight

Freight rates and charges representing increases of approximately 17.6 per cent became effective January 1, 1947.

Increased wages to employes and rising costs of materials and supplies necessitated requests for Interstate Commerce Commission authority to make further increases aggregating 31 to 41 per cent depending upon territorial movement of traffic. The Commission has not as yet rendered its final decision on the petition, as amended and supplemented, but in 1947 made two interim decisions authorizing temporary relief. The first authorized a temporary increase of 10 per cent on interstate traffic, with some qualifications, effective October 13, 1947; and the second substituted for the 10 per cent general increase, a general increase of 20 per cent*. During the interim period it is estimated that the Company's monthly freight revenue will be increased approximately $2,160,000.

Litigation over the Commission's orders in the Class Rate Investigation terminated when the orders were upheld by the Supreme Court of the United States. They became effective August 22, 1947, resulting in an annual reduction in the Company's freight revenue estimated at $567,000.

Passenger

Passenger fares and charges were increased in 1947 as follows: Round-trip, first class and intermediate fares, from one and one-half to one and two-thirds of the one-way fare in Western territory, with corresponding increases in round-trip transcontinental first class, intermediate and coach fares, effective June 1, 1947; commutation fares in the Chicago suburban district were increased 10 per cent, for the interim period November 1, 1947, to May 10, 1948, pending

*The increased rates became effective January 5, 1948, except that as to grain and grain products the effective date was January 15, 1948. A third interim decision, made April 13, 1948, continued, until further order of the Commission, the 20 per cent increase on interstate traffic in the West, subject to certain qualifications, except that on such traffic from, to and within Zone 1 of Western Trunk Line territory and between territories, it authorized an increase of 25 per cent in lieu of the former 20 per cent. Estimated result is an increase of $2,460,000 per month instead of the $2,160,000 shown above.

decision by the Illinois Commerce Commission on application for a 30 per cent increase; one-way and round-trip first class fares in Western territory were increased approximately 6 per cent effective December 18, 1947; furlough fares were discontinued in Western territory on February 28, 1947.

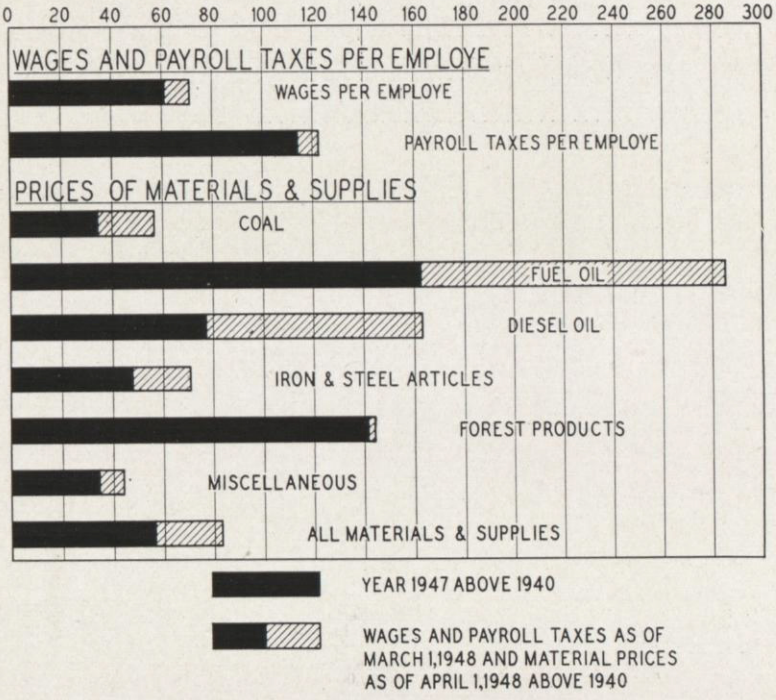
Mail

Pending decision on carriers' application for a 45 per cent increase for carrying United States mail, the Interstate Commerce Commission on December 4, 1947, granted an interim increase of 25 per cent, retroactive to February 19, 1947.

OPERATING EXPENSES

Railway operating expenses in 1947 were $149,996,344. This was $10,745,672 or 7.72 per cent more than in 1946, due largely to increasing payroll and material costs.

Following is a chart showing the per cent increase above 1940 in average wages and payroll taxes per employe, and in prices of materials and supplies purchased:


0 20 40 60 80 100 120 140 160 180 200 220 240 260 280 300
WAGES AND PAYROLL TAXES PER EMPLOYE
WAGES PER EMPLOYE
PAYROLL TAXES PER EMPLOYE
PRICES OF MATERIALS & SUPPLIES
COAL
FUEL OIL
DIESEL OIL
IRON & STEEL ARTICLES
FOREST PRODUCTS
MISCELLANEOUS
ALL MATERIALS & SUPPLIES
YEAR 1947 ABOVE 1940
WAGES AND PAYROLL TAXES AS OF MARCH 1,1948 AND MATERIAL PRICES AS OF APRIL 1,1948 ABOVE 1940

MAINTENANCE OF PROPERTY

Heavy rains during June caused widespread damage and disruption of train service throughout Iowa, Missouri, western Illinois and eastern Nebraska. This was the most extensive inundation and crippling of service that Burlington has ever experienced. Cost to restore to pre-flood condition, including cost of detouring trains over other railroads, was approximately $1,500,000. It is estimated that protection against a recurrence of similar flood trouble will cost $3,000,000, of which $433,000 was spent on such work in 1947.

Roadway, track and equipment were maintained in a good and safe operating condition.

Following outlines some of the major maintenance work performed during the year:

88.20 miles of track relaid with new 129-pound rail.
210.83 miles of track relaid with new 112-pound rail.
87.96 miles of track relaid with secondhand 90, 100 and 110-pound rail.
877,061 new creosoted ties placed in track.
569,989 cubic yards of ballast applied.

IMPROVEMENTS

Net capital expenditures in 1947:

Road		$ 6,600,450
Equipment		17,854,679
General	Cr.	5,144
Total		$24,449,985

Major improvements completed during the year were:

Reduction of curvature at Greenwood, Neb.
Grade raise near Louisiana, Mo.
Revision of main line at Quincy, Ill.
Construction of new yard at West Quincy, Mo.
Reconstruction of bridge at Farley, Mo.
Mechanical passenger car washer at Denver.
Expansion of facilities for servicing passenger trains at Chicago.

Improvements started during the year but not completed were:

Centralized Traffic Control between Old Monroe and Machens, Mo. and between Balfour and Pacific Junction, Ia.
Curve and grade reduction at Daggetts, Ill. and Plattsmouth, Neb.
Relocation of main line and yard at Beardstown, Ill.
Rearrangement of freight yards at North Kansas City, Mo.
Revisions of grade at Mark, Mo. and Cullom, Neb.

Equipment

Built in Company Shops:

2000	40′	6″	50-ton steel sheathed box cars
515	34′	3″	55-ton steel hopper cars.

Purchased:

4	Sleeping cars.
8	Dome coach cars.
2	Plain coach cars.
2	Dining cars.
2	Parlor-observation cars.
2	Club-baggage cars.
50	Old Pullman tourist cars for conversion to outfit cars.
300	Army kitchen cars refitted for baggage and express service.
1	2000 h.p. Diesel-electric passenger locomotive.
5	4000 h.p. Diesel-electric passenger locomotives.
3	4500 h.p. Diesel-electric passenger locomotives.
2	4500 h.p. Diesel-electric freight locomotives.
6	6000 h.p. Diesel-electric freight locomotives.

On order, Delivery Anticipated in 1948:

From Company Shops:

750	40′ 6″ 50-ton steel sheathed box cars.
250	50′ 6″ 50-ton steel sheathed box cars.
100	50′ 6″ 50-ton steel sheathed box cars with automobile loading devices.
500	70-ton steel hopper cars.
150	70-ton steel, covered hopper cars.
485	34′ 3″ 55-ton steel hopper cars.
50	65′ 70-ton steel gondolas.
250	70-ton steel ballast cars.
500	40′ 40-ton steel frame stock cars.
300	53′ 6″ 50-ton steel flat cars.
200	16M gallon steel tank cars.

Purchased:

7	Dome coach cars.
4	Dining cars.
2	Open-section sleeping cars.
6	Bedroom-cabin sleeping cars.
3	Room cars.
1	Room-observation car.
3	Dome coffee shop-Lounge-dormitory cars.
3	Room-buffet-observation cars.
2	Parlor cars.
5	Baggage cars.
2	Combination baggage-mail cars.
1	Baggage car with heating boiler.
35	30-yard steel air dump cars.
4	2000 h.p. Diesel-electric passenger locomotives.
1	4000 h.p. Diesel-electric passenger locomotive.
1	4500 h.p. Diesel-electric freight locomotive.
15	6000 h.p. Diesel-electric freight locomotives.
9	2000 h.p. Dieel-electric combination freight and switch locomotives.

WAGES

In April 1947, seventeen non-operating railway unions made a wage demand for an increase in rates of pay of 20 cents an hour. The demand was arbitrated and on September 2, 1947 an increase

of 15½ cents an hour was granted, effective September 1, 1947. Estimated Burlington annual increase in payroll, including payroll taxes, is $10,375,000.

On June 20, 1947, representatives of the five operating brotherhoods (train, engine and yard service) served notice of a desire to revise existing rules and carriers served notice of intention to eliminate certain restrictive provisions.

In addition to rule changes, representatives of these organizations' on September 30, 1947, served notice of a desire also to increase rates of pay 30 per cent, effective November 1, 1947.

On November 4, 1947, agreement was reached with the Brotherhood of Railroad Trainmen and the Order of Railway Conductors under which basic rates were increased the equivalent of 15½ cents per hour effective November 1, 1947. Certain rule changes were agreed upon and other rules proposed both by the organizations and by the carriers are being negotiated. Estimated Burlington annual payroll increase for Conductors and Trainmen is $2,090,000, including payroll taxes. The Brotherhoods of Locomotive Engineers and of Locomotive Firemen and Enginemen declined to accept a proffered 15½ cents per hour wage increase and their demands were referred to the National Mediation Board which failed to dispose of the dispute. The brotherhoods voted to strike on February 1, 1948. Thereupon, the President of the United States appointed an Emergency Board to conduct hearings and submit a recommendation covering proposed disposition of the issues. An increase of 15½ cents an hour for these employes on the Burlington is estimated to cost $1,500,000 annually, including payroll taxes.*

AGRICULTURE

Owing to a late spring and damaging floods, followed by a drouth in July and August, the 1947 corn crop in states served by Burlington was 35.5 per cent less than in 1946. Oats declined 15.8 per cent, soybeans 16.8 per cent, and potatoes 23.0 per cent. Barley, largely produced on lines west of the Missouri River, increased 9.4 per cent; sugar beet tonnage loaded on the line was 18 per cent greater than 1946 and 9.7 per cent above the ten-year average. Hay and forage crops were good. The number of sheep on farms was reduced by 2.7 per cent, cattle 3.6 per cent, and swine 4.9 per cent. Farm revenue from crops and livestock rose 31 per cent to an all-time high level.

* On March 27, 1948, the Emergency Board recommended an increase in basic rates of pay equivalent to 15½ cents per hour, retroactive to November 1, 1947. The railroad companies have agreed to accept the award but the unions refused.

Stocks of corn on farms and in interior mills and elevators decreased 39 per cent and oats 12 per cent, while wheat stocks increased 26 per cent. Acreage seeded to winter wheat in 1947 for harvest in 1948 decreased slightly (0.4 per cent) from 1946. At the close of 1947, cattle on feed were 17 per cent below the previous year while sheep and lambs on feed had decreased 21 per cent. Irrigation water supplies in storage and on water sheds are reported to be ample for the 1948 season.

Soil Conservation and Irrigation

Continued cooperation was given agencies promoting soil conservation and irrigation. In Burlington lines' states 79 new conservation districts were formed, bringing the total to 799, which includes in all over 430,000,000 acres of farm and ranch lands an increase of 55,000,000 acres over 1946. In Iowa 3,190,000 tons of agricultural lime were spread, a new record, and terracing, contour farming and other soil conserving practices continued to expand. Of 29 irrigation units approved under the Missouri River Basin program, 14 are tributary to the Burlington. These are designed to irrigate 384,660 acres in addition to supplying 60,000 acres with supplemental water. Expenditures by the Government on these projects amounted to $12,426,000 in 1947. Amount authorized for 1948 is $23,137,000. The U. S. Bureau of Reclamation will spend an additional $9,500,000 on the Colorado-Big Thompson project. Ten thousand newly irrigated acres were opened and allotted to settlers in Burlington Wyoming territory during 1947 and 21,700 acres are scheduled for opening during 1948.

INDUSTRIAL

Industry continued to locate in midwest territory during the year. Many expansions as well as new plants planned for 1947 were postponed because of high building costs and shortage of materials. During the year 401 new leases of Company property were executed and 190 leases were canceled, leaving a net increase of 211 leases. Forty-one industrial tracks were extended or relocated and 70 new industrial tracks were built. Forty-one industries served by Burlington enlarged their plants and 56 new industries located on private property available to Burlington service.

LINE ABANDONMENTS

During the June floods the branch line between Burch (South Des Moines) and New Virginia, 42 miles, was so severely damaged as to render it impassable at forty separate locations. Estimated cost to restore exceeded $220,000, an expense not justified by the small

use made of it by local communities. Application was filed with the Interstate Commerce Commission July 16, 1947 for authority to abandon the line between Burch and New Virginia and to operate, under trackage rights, over the line of the Chicago Great Western Railway between Burch and a connection with Burlington main line at Afton Jct., 51 miles. This operation has been in effect since July 23, 1947, under a service order expiring August 15, 1948.

Floods and high water during the summer of 1947 practically destroyed ten miles of the branch line between Clearmont, Missouri, and Shambaugh, Iowa. Cost to rebuild and protect against similar floods is estimated at $349,000. Local business on the line does not justify such an expenditure and its abandonment is being sought.

RAILWAY BLOCK SIGNAL SYSTEM

In Docket No. 29543 of June 17, 1947, entitled "Appliances, Methods and Systems Intended to Promote Safety of Railway Operation," the Interstate Commerce Commission issued an order providing for installation by Class I and certain other carriers of:

(a) automatic or manual block signal systems on such portions of their lines over which any passenger train is operated at a speed of 60 or more miles per hour, or any freight train at a speed of 50 or more miles per hour;

(b) automatic train stop or train control systems or automatic cab signal systems on such portions of their lines over which any train is operated at a speed of 80 or more miles per hour;

the installation by progressive stages to be completed not later than December 31, 1952.

Compliance with the order might entail an expenditure by this Company of approximately $7,000,000. Burlington petitioned the Commission requesting exemption from provisions of the order and if this is denied, to permit continued operation of passenger trains at 80 or more miles per hour over certain lines now amply protected. The case was heard in October 1947. Decision has not been announced.

NEW PASSENGER TRAINS

Effective February 23, 1947, the new "Empire Builder" began service on a 45-hour schedule between Chicago and Seattle, operating over Great Northern west of St. Paul.

Two new seven-car Twin Cities Zephyr trains, each consisting of a club-lounge car, four Vista Dome coaches, a dining car, and a Vista Dome observation parlor car, were placed in service December 19, 1947.

Streamlined Diesel-powered day train service between Chicago and Lincoln-Omaha known as the "Nebraska Zephyr" was established November 16, 1947.

There are now sixteen streamlined trains in operation on Burlington System Lines, making 11,630 daily miles.

FINANCIAL

During 1947 funded debt of the Company, including equipment obligations, was reduced $1,814,533 (See page 26). In the six-year period 1942-1947 inclusive, funded debt, including equipment obligations, has been reduced $69,936,251.

Interest accruals on funded debt in 1947 were $298,800 less than in 1946 due to reduction in outstanding debt.

Fixed charges have been reduced from $9,658,151 in 1940 to $5,771,614 in 1947; Railroad Retirement and Unemployment taxes increased from $2,691,033 in 1940 to $7,753,312 in 1947, this tax increase being $1,175,741 more than the decrease in fixed charges.

At the close of 1947, the Company had $53,696,364 cash and cash assets, of which $20,424,263 was invested in U. S. Government securities.

TAXES

Tax accruals of $34,407,950 in 1947 compared with $25,693,903 in 1946, an increase of $8,714,047. Federal income taxes increased $4,762,549.

Railroad Retirement and Unemployment taxes were $7,753,312, an increase of $2,120,347, reflecting increased wages and increase in rate of tax from 6½ per cent to 8¾ per cent, effective January 1, 1947. State and other Government taxes increased $1,831,151.

Total taxes in 1947 took 15.56 per cent of total operating revenue, equivalent to $20.14 per share of capital stock.

Payroll taxes alone exceeded fixed charges by $1,981,699 or 34.33 per cent.

DIVIDENDS

Net income amounted to $16.23 a share of capital stock. Dividends totaling $6.00 a share were paid in 1947, the eighty-sixth consecutive year in which the Company has paid a dividend.

NORTH KANSAS CITY PROPERTIES

For many years Burlington owned a one-third interest in the North Kansas City Development Company and affiliated corporations at North Kansas City, Missouri. During the year 1947 this one-third interest was purchased by a New York syndicate, which also acquired

the other two-thirds. The new owners have undertaken intensive development of the industrial district of North Kansas City, which is served by Burlington. Burlington acquired sole ownership of certain parcels of land and industrial tracks in North Kansas City and Kansas City, including tracks over a bridge across the Missouri River.

JOINT LINE DEVELOPMENTS

Reference was made in the report for 1946 to applications filed by the Burlington, Santa Fe, and Gulf, Mobile and Ohio with the Interstate Commerce Commission seeking authority to take various steps relating to the operation of their lines in northern Missouri. On November 14, 1947, the Commission served upon the parties a report proposed by two of the Commission's staff, recommending that the applications be denied. Applicants filed exceptions to the proposed report on December 22, 1947.*

THE PULLMAN COMPANY

On May 14 and June 26, 1947, respectively, the Interstate Commerce Commission and a Federal Court at Philadelphia approved pooling of earnings and service and purchase of Pullman Company capital stock by a group of railroads over whose lines virtually all the nation's sleeping car service is operated.

The change of ownership was effected July 1, 1947. A new Board of Directors representing business interests not connected with the railroad industry, was elected and new officers installed.

Burlington System Lines acquired 19,931 shares of Pullman capital stock for $1,095,638. Representing a partial liquidating dividend, Pullman Car Notes, maturing June 30, 1948, were issued to the purchasing companies, Burlington System Lines receiving $358,191 of such notes.

MISSOURI & ILLINOIS BRIDGE & BELT RAILROAD COMPANY

During the year, 520 additional shares of capital stock of the Missouri and Illinois Bridge and Belt Railroad Company were acquired, bringing Burlington ownership to 1,170 shares of the 1,430 outstanding.

BURLINGTON TRANSPORTATION COMPANY

Pursuant to authority of the Interstate Commerce Commission, American Buslines, Inc. purchased the remaining 49 per cent holdings of capital stock in Burlington Transportation Company (Bus Division) owned by Chicago, Burlington & Quincy Railroad Company.

* The case was argued orally before the full Commission on March 3 and 4, 1948, and now awaits decision by the Commission.

BURLINGTON TRUCK LINES, INC.

In the first full year since its incorporation, Burlington Truck Lines, Inc., a wholly-owned subsidiary of the Burlington, operated 6,110,331 truck miles over 4,952 route miles at a net loss of $39,260.

New equipment added during the year consisted of ten International K-8 tractors, paid for out of current funds, also eight White tractors and eight Fruehauf trailers financed 10 per cent cash, balance through Conditional Sales Contracts.

COLORADO AND SOUTHERN LINES

Net income of The Colorado and Southern Railway Company in 1946 available for retirement of debt or increase or replenishment of working capital under the "Plan of Adjustment" was $7,433, which amount was carried forward to 1947. No bonds were retired in 1947. Including the $7,433 carried over from 1946, the 1947 income available for retirement of debt or increase or replenishment of working capital is $390,651.

In 1947 Fort Worth and Denver City Railway Company paid $80,000 on its note to Reconstruction Finance Corporation, reducing the outstanding amount to $7,340,000.

EMPLOYE BENEFITS

The Relief Department paid out $790,943 during the year in disability and death claims.

The Company paid Federal taxes of $5,101,015 to provide for old age retirement of employes and $2,652,297 Federal Railroad Insurance (unemployment) taxes, a total of $7,753,312, an increase of $2,120,347 over 1946.

Effective January 1, 1947, tax rate for old age retirement was increased from 3½ per cent to 5¾ per cent of wages up to $300 a month. Unless changed by Congressional action, the rate will be further increased to 6 per cent in 1949 and to 6¼ per cent after 1951. Employes are assessed at similar rates on their wages up to $300 a month. The Federal Unemployment tax paid by the Company is at the rate of 3 per cent on wages of employes up to $300 a month. Employes are not taxed for unemployment benefits.

AIR LINE ROUTES

On October 28, 1947, the railroads, through the Association of American Railroads, submitted a statement to the President's Air Policy Commission, asking that they be accorded equal consideration

with other applicants for air line routes. The Civil Aeronautics Board arbitrarily forbids surface carriers to engage in full scheduled air operations.

GOVERNMENT REPARATION CASES

Government attorneys have filed with the Interstate Commerce Commission a series of complaints against the railroads seeking reparation for alleged unreasonable freight charges on Government shipments of war materials. The amounts claimed are not stated, but in seeking appropriations to carry on the cases, the Government attorneys represented that the aggregate amount would approximate $2,000,000,000. In no case did the Government pay more than the tariff rate available to other shippers, and on most Government traffic it paid less. The railroads will have an opportunity at the hearings before the Commission to show that the complaints are unfounded and should be dismissed.

GENERAL

In order to carry on a healthy business it is obvious that there must be more money left out of earnings after paying fair dividends than was necessary when labor and materials costs were so much lower than they are now. The only alternative would be to borrow money for replacements and improvements, a policy which would lead to impairment of credit.

Railway investors cannot be expected to continue putting up risk capital unless there is evidence of fair treatment in the way of permitting them to earn a reasonable return. Inability to obtain new money for the business inevitably would tend to a deterioration of plant and that would be far more costly to the country as a whole than the cost of adequate rates and charges, which would insure the best of transportation. A consistent and constructive regulatory policy towards the railroads is of National importance.

It is with deep sorrow that the Directors record the death on May 10, 1947, of Wallace C. Winter, who had served as a Director since July 1929 and as a member of the Executive Committee since September 1941.

The Company expresses appreciation for the effective services of its loyal officers and employes.

By order of the Board of Directors.

RALPH BUDD, President.

COMPARATIVE STATEMENT OF INCOME, YEARS ENDED DECEMBER 31

(See Pages 29 to 31)

Percent of Ry. Oper. Revenue	1947	RAILWAY OPERATING REVENUES	1946	Percent of Ry. Oper. Revenue
82.02	$181,409,104.14	Freight	$148,897,285.01	76.00
8.60	19,029,067.72	Passenger	27,896,559.06	14.24
3.11	6,873,758.71	Mail	5,529,241.85	2.82
2.12	4,698,580.29	Express	4,893,957.15	2.50
1.73	3,821,022.90	All other transportation	3,419,330.86	1.75
2.05	4,522,919.45	Incidental	4,530,848.64	2.31
.37	824,557.62	Joint facility	758,442.57	.38
100.00	221,179,010.83	Total railway operating revenues	195,925,665.14	100.00
		RAILWAY OPERATING EXPENSES		
14.69	32,484,480.12	Maintenance of way and structures	31,412,418.72	16.03
13.42	29,682,429.43	Maintenance of equipment	27,660,940.88	14.10
2.03	4,479,448.74	Traffic	4,048,956.81	2.07
34.26	75,766,163.15	Transportation	68,613,876.72	35.02
1.33	2,951,225.43	Miscellaneous operations	3,102,630.43	1.59
2.09	4,632,596.79	General	4,411,848.05	2.26
67.82	149,996,343.66	Total railway operating expenses	139,250,671.61	71.07
32.18	71,182,667.17	Net revenue from railway operations	56,674,993.53	28.93
	34,407,950.42	Railway tax accruals	25,693,903.31	
	36,774,716.75	Railway operating income	30,981,090.22	
	Dr. 3,049,481.24	Hire of equipment—Net	Dr. 2,573,290.95	
	Dr. 1,944,327.84	Joint facility rents—Net	Dr. 1,416,701.35	
	31,780,907.67	Net railway operating income	26,991,097.92	
		OTHER INCOME		
	800,575.89	Miscellaneous rent income	665,180.98	
	1,037,235.57	Dividends and miscellaneous interest	1,630,361.44	
	45,292.87	Miscellaneous income	38,520.66	
	1,883,104.33	Total other income	2,334,063.08	
	33,664,012.00	Total income	29,325,161.00	
		MISCELLANEOUS DEDUCTIONS FROM INCOME		
	112,953.43	Miscellaneous rents	96,894.91	
	18,755.51	Separately operated properties—Loss		
	18,818.87	Miscellaneous income charges	15,163.61	
	150,527.81	Total miscellaneous deductions	112,058.52	
	33,513,484.19	Income available for fixed charges	29,213,102.48	
		FIXED CHARGES		
	52,888.60	Rent for leased roads and equipment	75,237.04	
	5,654,140.61	Interest on funded debt	* 5,788,692.29	
	7,627.11	Interest on unfunded debt	* 185,385.35	
	56,957.31	Amortization of discount on funded debt	61,013.24	
	5,771,613.63	Total fixed charges	6,110,327.92	
	27,741,870.56	Net income after fixed charges	23,102,774.56	
		DISPOSITION OF NET INCOME		
	10,250,322.00	Dividend appropriations of income	10,250,322.00	
	$17,491,548.56	Balance of income transferred to Earned Surplus	$12,852,452.56	

Operating Ratios

* Interest on Unfunded Debt, year 1946, includes $164,248.95 interest on bonds called for redemption.

GENERAL BALANCE SHEET

December 31, 1947

ASSETS

INVESTMENTS:		
Road and equipment property		$687,025,203.45
Improvements on leased property		144,681.00
Donations and grants	Cr.	2,564,763.35
Accrued depreciation—Road and equipment	Cr.	116,220,916.92
Accrued amortization of defense projects—Road and equipment	Cr.	38,285,179.02
Sinking funds		8,090.65
Capital and other reserve funds		113,061.81
Miscellaneous physical property		7,125,305.28
Investments in affiliated companies:		
Stocks	$26,932,057.62	
All other	9,605,022.73	36,537,080.35
Other investments:		
Stocks	$ 3,695,194.27	
Bonds	4,243,151.56	
All other	71,878.63	8,010,224.46
Total net investments		581,892,787.71
CURRENT ASSETS:		
Cash		32,759,922.90
Temporary cash investments		16,698,778.35
Special deposits		312,019.07
Loans and bills receivable		317,588.00
Traffic and car service balances—Dr.		469,438.17
Net balance receivable from agents and conductors		3,296,977.50
Miscellaneous accounts receivable		4,618,411.89
Material and supplies		21,136,468.54
Interest and dividends receivable		43,724.32
Accrued accounts receivable		5,983,433.83
Other current assets		744,158.26
Total current assets		86,380,920.83
DEFERRED ASSETS:		
Working fund advances		98,926.21
Other deferred assets		1,412,473.11
Total deferred assets		1,511,399.32
UNADJUSTED DEBITS:		
Prepayments		194,319.37
Discount on funded debt		779,805.03
Other unadjusted debits		3,666,648.06
Total unadjusted debits		4,640,772.46
Grand Total		$674,425,880.32

GENERAL BALANCE SHEET

December 31, 1947

LIABILITIES

CAPITAL STOCK:		
Common stock		$170,839,100.00
LONG-TERM DEBT:		
Funded debt unmatured (See Page 24):		
Total book liability	$341,650,000.00	
Less held by or for the company	182,328,900.00	159,321,100.00
Equipment obligations (See pages 24 and 25)		22,301,025.54
Amounts payable to affiliated companies		123,275.41
Total long-term debt		181,745,400.95
CURRENT LIABILITIES:		
Audited accounts and wages payable		10,844,295.95
Miscellaneous accounts payable		3,779,316.61
Interest matured unpaid		95,786.72
Unmatured interest accrued		2,066,859.90
Accrued accounts payable		4,239,709.54
Taxes accrued		26,086,931.64
Other current liabilities		2,486,643.66
Total current liabilities		49,599,544.02
DEFERRED LIABILITIES:		
Other deferred liabilities		399,629.76
UNADJUSTED CREDITS:		
Premium on funded debt		918.35
Insurance reserves		1,392,996.20
Other unadjusted credits		2,189,131.47
Accrued depreciation—leased property		28,231.50
Total unadjusted credits		3,611,277.52
SURPLUS:		
Unearned surplus		255,999.90
Earned surplus—appropriated		48,025,460.10
Earned surplus—unappropriated (See page 20)		219,949,468.07
Total surplus		268,230,928.07
Grand Total		$674,425,880.32

COMPARATIVE STATEMENT OF UNAPPROPRIATED EARNED SURPLUS ACCOUNT, YEARS ENDED DECEMBER 31

	1947	1946	Increase	Decrease
Credits:				
Credit balance at beginning of year	$201,618,099.63	$189,153,793.92	$ 12,464,305.71	
Credit balance transferred from income	17,491,548.56	12,852,452.56	4,639,096.00	
Miscellaneous credits	1,122,959.53	190,930.39	932,029.14	
Total	$220,232,607.72	$202,197,176.87	$18,035,430.85	
Debits:				
Miscellaneous debits	$ 283,139.65	$ 579,077.24		$ 295,937.59
Credit balance carried to balance sheet	219,949,468.07*	201,618,099.63*	$ 18,331,368.44	
Total	$220,232,607.72	$202,197,176.87	$ 18,035,430.85	

* Approximate application of Income included in Unappropriated Earned Surplus as of December 31:

	1947	1946
Net working capital retained in the business	$ 43,729,479	$ 42,406,170
Investments in affiliated and non-affiliated companies	18,911,181	21,050,727
Expended in improving the Railroad plant	157,308,808	138,161,202
	$219,949,468	$201,618,099

Appropriated Surplus Income of $48,025,460 (page 19) was applied to retirement of Funded Debt prior to year 1928.

INVESTMENT IN ROAD AND EQUIPMENT, YEAR 1947

Account	Additions and Betterments
Engineering	$ 115,933.53
Land for transportation purposes	855,613.81
Other right-of-way expenditures	9,145.20
Grading	592,070.34
Tunnels and subways	Cr. 896.09
Bridges, trestles and culverts	685,815.75
Ties	162,761.81
Rails	762,872.49
Other track material	930,481.36
Ballast	484,210.36
Track laying and surfacing	304,758.80
Fences, snow sheds and signs	2,721.03
Crossings and signs	—
Station and office buildings	178,294.73
Roadway buildings	14,026.24
Water stations	76,826.75
Fuel stations	34,426.33
Shops and engine houses	245,586.85
Telegraph and telephone lines	99,122.04
Signals and interlockers	380,225.61
Power plants	19,022.74
Power transmission systems	32,039.99
Miscellaneous structures	88,910.25
Roadway machines	341,987.31
Roadway small tools	1,011.47
Public improvements—Construction	58,008.14
Shop machinery	108,493.88
Power plant machinery	16,979.45
Total expenditures for road	6,600,450.17
Steam locomotives	Cr. 1,242,901.97
Other locomotives	8,466,558.93
Freight-train cars	7,148,655.69
Passenger-train cars	3,353,099.37
Work equipment	82,750.19
Miscellaneous equipment	46,516.66
Total expenditures for equipment	17,854,678.87
Organization expenses	Cr. 52.91
General officers and clerks	Cr. 25.83
Law	3,541.66
Stationery and printing	Cr. 51.05
Taxes	Cr. 38.69
Interest during construction	Cr. 5,722.04
Other expenditures—general	Cr. 2,795.10
Total general expenditures	Cr. 5,143.96
Grand total	$24,449,985.08

"Cr."—Credits due to retirements.

STATISTICS OF OPERATIONS

ITEMS	1947	1946
Average mileage of road operated	8,864.97	8,865.75
Actual miles road operated, end of year	8,867.39	8,867.45
TRAIN-MILES		
Freight	16,948,224	15,763,135
Passenger	13,364,276	14,197,832
Total transportation service	30,312,500	29,960,967
Work service	310,692	292,604
LOCOMOTIVE-MILES		
Freight	18,250,264	16,981,189
*Passenger	11,365,955	12,112,009
Train and yard switching	8,271,810	7,895,568
Total transportation service	37,888,029	36,988,766
Work service	761,459	682,589
CAR-MILES		
Loaded freight cars	647,106,358	588,249,358
Empty freight cars	356,960,352	312,357,825
Sum of loaded and empty	1,004,066,710	900,607,183
Caboose	16,713,776	15,426,229
Total freight cars	1,020,780,486	916,033,412
Coach and combination passenger cars	29,941,344	32,078,508
Sleeping and parlor	22,770,537	33,298,388
Club, lounge, dining and observation	8,414,710	8,310,926
Other	43,786,874	44,362,051
Total passenger cars	104,913,465	118,049,873
Total transportation service	1,125,693,951	1,034,083,285
Work service	2,177,819	1,973,652
FREIGHT SERVICE		
Tons—revenue freight	56,892,233	51,574,135
Tons—revenue and non-revenue freight	62,562,014	57,200,432
Ton-miles—revenue freight	19,274,376,178	16,657,848,531
Ton-miles—revenue and non-revenue freight	20,833,113,900	18,151,030,400
PASSENGER SERVICE		
Passengers carried—revenue	11,969,762	13,425,428
Passenger miles—revenue	955,745,673	1,529,488,860

* Excludes mileage of combination motor passenger cars:
1947—2,216,741
1946—2,332,054

STATISTICS OF OPERATIONS—Continued

ITEMS	1947	1946
AVERAGES PER MILE OF ROAD		
Freight-train miles	1,955	1,818
Passenger-train miles	2,018	2,111
Transportation service train-miles	3,419	3,379
Transportation service locomotive-miles	4,274	4,172
Freight service car-miles	117,763	105,670
Passenger service car-miles	15,843	17,554
Freight revenue	$20,928.43	$17,176.16
Passenger service train revenue	$ 4,710.56	$ 5,804.19
Operating revenues	$24,949.78	$22,099.16
Operating expenses	$16,920.12	$15,706.59
Net operating revenue	$ 8,029.66	$ 6,392.57
Net railway operating income	$ 3,585.00	$ 3,044.42
Ton-miles—revenue freight	2,174,218	1,878,899
Ton-miles—all freight	2,350,049	2,047,320
Passenger-miles—revenue	107,811	172,517
AVERAGES PER TRAIN-MILE		
Loaded freight car-miles	38.18	37.32
Empty freight car-miles	21.06	19.82
Ton-miles—revenue freight	1,137.25	1,056.76
Ton-miles—all freight	1,229.22	1,151.49
Passenger train car-miles	7.85	8.31
Revenue passenger-miles	71.51	107.73
Freight revenue	$ 10.70	$ 9.45
Passenger service train revenue	$ 2.33	$ 2.75
Operating revenues	$ 7.29	$ 6.54
Operating expenses	$ 4.95	$ 4.65
Net operating revenue	$ 2.34	$ 1.89
AVERAGES PER LOADED FREIGHT CAR-MILE		
Ton-miles—revenue freight	29.79	28.32
Ton-miles—all freight	32.19	30.86
Freight revenue	$ .28034	$ .25312
AVERAGES PER CAR-MILE PASSENGER		
Passenger-miles—revenue	18.67	23.95
Passenger revenue	$ .37177	$ .43689
MISCELLANEOUS AVERAGES		
Miles hauled—revenue freight	338.79	322.98
Miles hauled—non-revenue freight	274.92	265.39
Miles hauled—all freight	333.00	317.32
Miles carried—revenue passengers	79.85	113.92
Revenue per ton of freight	$ 3.18864	$ 2.88706
Revenue per ton-mile of freight	$ .00941	$ .00894
Revenue per passenger	$ 1.58976	$ 2.07789
Revenue per passenger-mile	$ .01991	$ .01824
Operating ratio	67.82	71.07

CAPITAL LIABILITIES OF THE CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY
DECEMBER 31, 1947

Designation of Obligation	Term		Total par value authorized	Total nominally or actually outstanding	Held by or for Company	Actually outstanding in hands of public	Dividends or Interest		
	Date of issue	Date of maturity					Rate	When payable	Dividends declared and interest accrued during year
CAPITAL STOCK			$170,839,100	$170,839,100		*$170,839,100	3% 3%	June 26 Dec. 24	$5,125,161 5,125,161
FUNDED DEBT UNMATURED									
General Mortgage	Mar. 2, 1908	Mar. 1, 1958	$178,414,000	$178,414,000	‡$146,510,000	$ 31,904,000	4	M. & S.	$1,300,896
First and Refunding Mortgage:									
Series B	Feb. 1, 1927	Feb. 1, 1977	30,000,000	30,000,000	17,539,900	12,460,100	4½	F. & A.	560,705
Series 1970	Aug. 1, 1944	Aug. 1, 1970	92,873,000	17,601,000	‡17,601,000		4½	F. & A.	
Series 1985	Aug. 1, 1945	Aug. 1, 1985	65,000,000	62,366,000	412,000	61,954,000	3⅛	F. & A.	1,970,289
Series 1970	Aug. 1, 1945	Aug. 1, 1970	49,765,000	49,269,000	266,000	49,003,000	2⅞	F. & A.	1,413,488
Serial Collateral Trust Notes	Dec. 1, 1944	$500,000 each quarter to 1949	10,000,000	4,000,000		4,000,000	1½	Quarterly M.J.S.D.	76,250
Total Funded Debt Unmatured			$426,052,000	$341,650,000	$182,328,900	$159,321,100			$5,321,628
EQUIPMENT TRUST OBLIGATIONS									
Equipment Trust of 1941	Aug. 1, 1941	$499,000 Aug. 1 each year to 1948	$ 9,387,000	$ 499,000		$ 499,000	1½	F. & A.	$ 11,851
Equipment Trust of 1944	Nov. 1, 1944	$ 38,000 each quarter to Nov. 1954	1,520,000	1,064,000		1,064,000	1⅞	Quarterly F.M.A.N.	21,256
CONDITIONAL SALE CONTRACTS									
National Bank of Detroit	Apr.29, 1940	Monthly to Nov. 1948	592,806	69,536		69,536	1¾	Monthly	1,817
Harris Trust and Savings Bank of Chicago	Aug. 28,1940	Quarterly to Sept. 1950	2,444,117	700,181		700,181	2¼	Quarterly M.J.S.D.	18,894
National Bank of Detroit	Dec. 19, 1940	Monthly to Feb. 1951	2,277,453	761,588		761,588	1⅝	Monthly	14,112
Manufacturers Trust Co., New York, N. Y.	Feb.28, 1941	Monthly to Apr. 1951	815,098	289,514		289,514	2	Monthly 19th	6,700

The Northern Trust Co., Chicago and S. A. Weaver	Mar. 8, 1941	Monthly to Dec. 1949	$ 5,142,510	$ 1,269,437	.....	$ 1,269,437	1¾	Monthly	$ 27,398
First National Bank of Chicago	May 1, 1941	Quarterly to May 1948	5,404,948	350,000	.....	350,000	2	Quarterly F.M.A.N.	13,417
First National Bank of Chicago	Jan.15, 1944	Quarterly to Oct. 1954	7,110,720	4,977,504	.....	4,977,504	2	Quarterly J.A.J.O.	104,883
First National Bank of Chicago	Oct. 1, 1945	Monthly to Jan. 1956	3,883,440	3,068,194	.....	3,068,194	1.59	Monthly	51,614
The Northern Trust Co., Chicago	July 1, 1946	Monthly to July 1956	2,020,480	1,734,242	.....	1,734,242	1.5	Monthly	27,403
Bank of America, Nat'l. Trust & Savings Ass'n., San Francisco	Aug. 1, 1947	Monthly to Sept. 1955	† 3,879,600	3,652,221	.....	3,652,221	1.8	Monthly	14,520
First National Bank of Fort Worth, Texas	Sept.15,1947	Monthly to Nov. 1955	441,000	436,406	.....	436,406	1⅝	Monthly	1,208
Fort Worth National Bank, Fort Worth, Texas	Sept.15,1947	Monthly to Nov. 1955	370,000	366,146	.....	366,146	1⅝	Monthly	880
Mercantile National Bank of Dallas, Texas	Sept.15,1947	Monthly to Nov. 1955	370,000	366,146	.....	366,146	1⅝	Monthly	897
Harris Trust and Savings Bank of Chicago (Diesel Locos.)	Oct. 1, 1947	Monthly to Nov. 1955	1,252,900	1,239,849	.....	1,239,849	1.89	Monthly	4,218
Harris Trust and Savings Bank of Chicago (Passenger Cars)	Oct. 1, 1947	Monthly to Nov. 1955	@ 1,517,100	.....	.....	.....	1.89	Monthly	.....
Cont.-Ill. Nat. Bk. & Tr. Co. of Chicago (Diesel Locos.)	Oct.15, 1947	Monthly to Nov. 1955	1,472,400	1,457,062	.....	1,457,062	1.95	Monthly	4,601
Cont.-Ill. Nat. Bk. & Tr. Co. of Chicago (Passenger Cars)	Oct.15, 1947	Monthly to Nov. 1955	@ 1,513,600	.....	.....	.....	1.95	Monthly	.....
Total Equipment Obligations			$ 51,415,172	$ 22,301,026	.....	$ 22,301,026			$ 325,669
Total Funded Debt and Equipment Obligations			$477,467,172	$363,951,026	$ 182,328,900	$ 181,622,126			$ 5,647,297(x)

* Includes $400 scrip on which no dividends are paid.

‡ Includes $143,735,000 pledged under First and Refunding Mortgage, and $2,000,000 pledged as collateral to secure performance by The Colorado and Southern Railway Company of obligations under agreement with Reconstruction Finance Corporation in connection with extension of maturity of its Refunding and Extension Bonds, May 1, 1935 to January 1, 1955.

⁂ Includes $6,000,000 pledged as collateral security for Serial Collateral Trust Notes dated December 1, 1944.

† Includes $108,400 applicable to car No. 196 not delivered as of December 31, 1947.

@ Contracts of October 1 and 15 for passenger cars not delivered as of December 31, 1947.

(x) Excludes interest on Notes matured — Equipment Trust of 1937 $6,844.
Net decrease in principal of bonds, collateral trust notes and equipment obligations during the year amounted to $1,814,533 (see page 26).

CHANGES IN CAPITAL LIABILITIES IN 1947

	Increase	Decrease
Bonds redeemed		
General Mortgage Bonds 4%.....	.....	$ 775,000
First and Refunding 3⅛% Series of 1985.....	.....	1,729,000
First and Refunding 2⅞% Series of 1970.....	.....	515,000
Principal of notes and Conditional Sale Contracts retired		
Collateral Trust Notes 1½% (1945-1949).....	.....	2,000,000
Equipment Trust of 1937.....	.....	365,000
Equipment Trust of 1941.....	.....	499,000
Equipment Trust of 1944.....	.....	152,000
Equipment Conditional Sale Contracts.....	.....	3,297,363
Securities issued		
Equipment Conditional Sale Contracts.....	$7,517,830	.....
	$7,517,830	$9,332,363
Net Decrease.....	.....	$1,814,533

DESCRIPTION OF MORTGAGES

General Mortgage

This mortgage is a first lien on 7,764.41 miles of this Company's main and branch lines, including terminals, property and equipment appurtenant thereto, situated in the states of Illinois, Wisconsin, Minnesota, Iowa, Missouri, Nebraska, Kansas, Colorado, South Dakota, Wyoming and Montana.

This mortgage is also secured by deposit with the trustee of 305,262 shares of the capital stock of The Colorado and Southern Railway Company.

No provision in mortgage for redemption of bonds. No additional bonds can be issued.

First and Refunding Mortgage

This mortgage is a lien on 8,243.60 miles of this Company's main and branch lines situated in the states of Illinois, Wisconsin, Minnesota, Iowa, Missouri, Nebraska, Kansas, Colorado, South Dakota, Wyoming and Montana, including terminals, property and equipment appurtenant thereto; subject to the prior lien of the General Mortgage on 7,764.41 miles, see above.

As further security for bonds issued under this mortgage, there are pledged $143,735,000 General Mortgage Bonds; also all right and title of this Company to the owned shares of capital stock, except Directors qualifying shares, of bridge, depot and terminal companies, the Davenport, Rock Island and North Western Railway Company, and The Colorado and Southern Railway Company, subject to prior lien of the General Mortgage on 305,262 shares.

Bonds issued under this mortgage may be redeemed at election of the Company on sixty days' notice, on any interest date, as follows:

Series B redeemable as a whole at 105 and accrued interest, February 1, 1952 to August 1, 1966; at 103 and accrued interest, February 1, 1967 to August 1, 1976.

Series of 1970 2⅞% Bonds may be redeemed as a whole or in part, on any interest payment date at 105¾ August 1, 1945 to July 31, 1949. Thereafter premium reduces periodically to August 1, 1969, after which date callable at par; in each instance with accrued interest.

Series of 1985 may be redeemed as a whole or in part, on any interest date at

105½ August 1, 1945 to July 31, 1949. Thereafter premium reduces periodically to August 1, 1982, after which date callable at par; in each instance with accrued interest.

An annual sinking fund of $248,825 for redemption of Series of 1970 2⅞% Bonds is payable to Trustee on or before May 1 each year, beginning May 1, 1946. For such redemption, prices are 102¾ August 1, 1945 to July 31, 1949, reduced periodically to August 1, 1969, and thereafter at par; plus accrued interest in each instance.

An annual sinking fund of $325,000 together with an amount equal to 10% of dividends paid by the Company on its capital stock in the preceding calendar year, is payable to the Trustee before May 1 in each year beginning May 1, 1946, for redemption of the Series of 1985 Bonds. Redemption prices are 102½ August 1, 1945 to July 31, 1949, with periodical reductions to August 1, 1982, and par thereafter; plus accrued interest in each case.

MILEAGE

Owned	Miles of Road	Second Track	Third Track	Fourth Track	Yard Tracks and Sidings	Total
Colorado	395.51	.52	.....	.....	178.59	574.62
Illinois	1,616.15	387.64	40.89	5.43	1,055.02	3,105.13
Iowa	1,054.55	249.55	.....	.....	289.38	1,593.48
Kansas	221.83	.....	.....	.....	22.97	244.80
Minnesota	23.09	2.71	.....	.....	36.91	62.71
Missouri	1,161.77	112.64	.....	.....	409.79	1,684.20
Montana	134.36	.....	.....	.....	49.90	184.26
Nebraska	2,673.10	29.33	.....	.....	791.87	3,494.30
South Dakota	168.16	.....	.....	.....	56.55	224.71
Wisconsin	220.25	214.17	.....	.....	65.09	499.51
Wyoming	677.74	.....	.....	.....	222.71	900.45
Total*	8,346.51	996.56	40.89	5.43	3,178.78	12,568.17
Operated under lease or contract	573.16	125.54	.76	.76	417.46	1,117.68
Grand Total*	8,919.67	1,122.10	41.65	6.19	3,596.24	13,685.85

*Includes mileage owned but not operated as follows:

	Miles of Road		Yard Tracks and Sidings	Total
Illinois	.....	.....	1.11	1.11
Iowa	47.65	.....	2.22	49.87
Missouri	4.63	.....	.03	4.66
Total	52.28	.....	3.36	55.64

EQUIPMENT IN SERVICE

DESCRIPTION	Number on Dec. 31, 1946	Number Added During Year	Number Retired During Year	Number on Dec. 31, 1947	Average tractive power all locomotives and average capacity all freight cars
Locomotives—Steam	835	.....	65	770	.....
—Other	195	33	.....	228	.....
Total locomotives	1,030	33	65	998	57,684 Lbs.
Freight-train cars:					
Box	21,987	2,138	1,465	22,660	.....
Flat	1,452	.....	42	1,410	.....
Stock	3,107	.....	14	3,093	.....
Gondola and Hopper	15,895	515	151	16,259	.....
Caboose	620	.....	5	615	.....
All classes of freight-train cars	43,061	2,653	1,677	44,037	47.21 Tons
Passenger-train cars:					
Coaches	318	10	29	299	.....
Combination coach	46	2	5	43	.....
Parlor	2	.....	.....	2	.....
Sleeping	.....	50	.....	50	.....
Dining	30	2	.....	32	.....
Club, lounge and observation	7	4	.....	11	.....
Postal	23	.....	.....	23	.....
Baggage, express and other nonpassenger	561	300	145	716	.....
Total	987	368	179	1,176	.....
Passenger rail motor cars:					
Combination coach	16	.....	.....	16	.....
Other passenger-train rail motor	15	.....	.....	15	.....
Total	31	.....	.....	31	.....
Articulated Zephyr trains	7	.....	.....	7	.....
Cars in articulated trains:‡					
Coaches	11	.....	.....	11	.....
Combination coach	14	.....	.....	14	.....
Parlor and sleeping	4	.....	.....	4	.....
Other passenger-train	11	.....	.....	11	.....
Total	40	.....	.....	40	.....
All classes of passenger-train cars	1,058	368	179	1,247	.....
Company service cars:					
Officers' and business	17	.....	.....	17	.....
Ballast	1,312	1	38	1,275	.....
Derrick	4	.....	.....	4	.....
Steam shovels	1	.....	.....	1	.....
Wrecking	19	.....	.....	19	.....
Other company service	3,251	242	199	3,294	.....
All classes of company service cars	4,604	243	237	4,610	.....
All classes of cars in service	48,723	3,264	2,093	49,894	.....

OWNED EQUIPMENT LEASED

DESCRIPTION	Number Under Lease on Dec. 31, 1946	Number Leased During Year	Number Withdrawn from Lease During Year	Number Under Lease on Dec. 31, 1947
Diesel-electric locomotive†	1	.....	.....	1
Freight-refrigerator cars*	1,865	.....	114	1,751
Freight-stock cars§	190	.....	.....	190
Freight-flat cars§	.....	10	.....	10
Passenger-refrigerator cars*	30	.....	.....	30
Zephyr train-cars†	5	.....	.....	5
Sleeping cars*	11	4	.....	15

‡ 8 cars not articulated.
§ Leased to Fort Worth and Denver City Railway Company.
† Leased to Burlington-Rock Island Railroad Company.
* Leased to Burlington Refrigerator Express Company.
* Leased to Pullman Company (2 cars not articulated).

COMPARATIVE STATEMENT OF INCOME ACCOUNT FOR YEARS ENDED DECEMBER 31

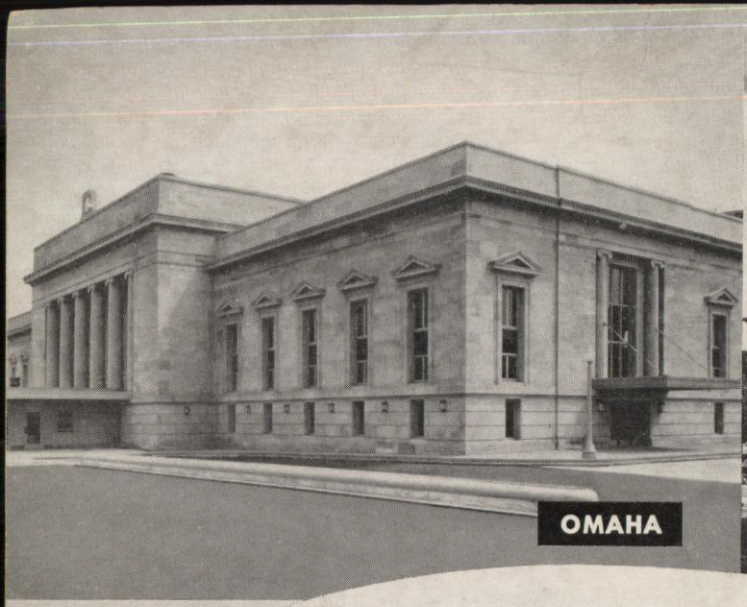
	1947	1946	Increase	Decrease
RAILWAY OPERATING REVENUES—				
TRANSPORTATION:				
Freight	$181,409,104.14	$148,897,285.01	$ 32,511,819.13	
Passenger	19,029,067.72	27,896,559.06		$ 8,867,491.34
Baggage	50,509.87	65,818.07		15,308.20
Parlor and chair car	142,678.89	143,841.49		1,162.60
Mail	6,873,758.71	5,529,241.85	1,344,516.86	
Express	4,698,580.29	4,893,957.15		195,376.86
Other passenger-train	175,344.41	210,530.61		35,186.20
Milk	223,637.87	293,040.04		69,402.17
Switching	3,228,851.86	2,706,100.65	522,751.21	
Total	$215,831,533.76	$190,636,373.93	$ 25,195,159.83	
INCIDENTAL:				
Dining and buffet	$ 1,736,731.47	$ 1,853,556.03		$ 116,824.56
Hotel and restaurant	44,014.56	149,260.11		105,245.55
Station and train privileges	91,034.81	99,764.60		8,729.79
Parcel room	2,336.82	3,209.80		872.98
Storage—Freight	39,072.58	20,429.68	$ 18,642.90	
Storage—Baggage	6,732.01	8,273.87		1,541.86
Demurrage	703,994.98	621,187.42	82,807.56	
Telegraph and telephone	222,189.58	211,942.13	10,247.45	
Stockyard	444,849.33	458,922.43		14,073.10
Power	114,567.06	46,155.70	68,411.36	
Rents of buildings and other property	256,150.44	249,580.86	6,569.58	
Miscellaneous	861,245.81	808,566.01	52,679.80	
Total	$ 4,522,919.45	$ 4,530,848.64		$ 7,929.19
Joint facility—Cr.	$ 837,312.37	$ 777,457.77	$ 59,854.60	
Joint facility—Dr.	Dr. 12,754.75	Dr. 19,015.20	6,260.45	
Total	$ 824,557.62	$ 758,442.57	$ 66,115.05	
Total railway operating revenues	$221,179,010.83	$195,925,665.14	$ 25,253,345.69	

COMPARATIVE STATEMENT OF INCOME ACCOUNT FOR YEARS ENDED DECEMBER 31—Continued

	1947	1946	Increase	Decrease
RAILWAY OPERATING EXPENSES—				
Maintenance of way and structures	$ 32,484,480.12	$ 31,412,418.72	$ 1,072,061.40	
Maintenance of equipment	29,682,429.43	27,660,940.88	2,021,488.55	
Traffic	4,479,448.74	4,048,956.81	430,491.93	
Transportation	75,766,163.15	68,613,876.72	7,152,286.43	
Miscellaneous operations	2,951,225.43	3,102,630.43		$ 151,405.00
General	4,632,596.79	4,411,848.05	220,748.74	
Total railway operating expenses	$149,996,343.66	$139,250,671.61	$ 10,745,672.05	
Operating Ratio*	67.82	71.07		3.25
Net revenue from railway operations	$ 71,182,667.17	$ 56,674,993.53	$ 14,507,673.64	
Railway tax accruals	$ 34,407,950.42	$ 25,693,903.31	$ 8,714,047.11	
Railway operating income	$ 36,774,716.75	$ 30,981,090.22	$ 5,793,626.53	
RENT INCOME				
Rent from equipment	$ 531,920.95	$ 676,340.93		$ 144,419.98
Joint facility rent income	743,689.02	785,854.83		42,165.81
Total rent income	$ 1,275,609.97	$ 1,462,195.76		$ 186,585.79
RENTS PAYABLE				
Rent for equipment	$ 3,581,402.19	$ 3,249,631.88	$ 331,770.31	
Joint facility rents	2,688,016.86	2,202,556.18	485,460.68	
Total rents payable	$ 6,269,419.05	$ 5,452,188.06	$ 817,230.99	
Net rents	Dr. $4,993,809.08	Dr. $3,989,992.30	$ 1,003,816.78	
Net railway operating income	$ 31,780,907.67	$ 26,991,097.92	$ 4,789,809.75	

* For Operating Ratios by general accounts see page 17.

OTHER INCOME				
Income from lease of road and equipment	$ 201,918.18	$ 68,633.86	$ 133,284.32	
Miscellaneous rent income	492,952.03	454,357.43	38,594.60	
Miscellaneous nonoperating physical property	105,705.68	142,189.69		$ 36,484.01
Separately operated properties—profit		1,280.70		1,280.70
Dividend income	206,387.80	636,162.74		429,774.94
Income from funded securities	234,821.46	262,545.72		27,724.26
Income from unfunded securities and accounts	596,026.31	731,652.98		135,626.67
Release of premiums on funded debt	1,901.08	3,916.10		2,015.02
Miscellaneous income	43,391.79	33,323.86	10,067.93	
Total other income	$ 1,883,104.33	$ 2,334,063.08		$ 450,958.75
Total income	$ 33,664,012.00	$ 29,325,161.00	$ 4,338,851.00	
MISCELLANEOUS DEDUCTIONS FROM INCOME				
Miscellaneous rents	$ 28,023.80	$ 25,040.50	$ 2,983.30	
Miscellaneous tax accruals	84,929.63	71,854.41	13,075.22	
Separately operated properties—Loss	18,755.51		18,755.51	
Miscellaneous income charges	18,818.87	15,163.61	3,655.26	
Total miscellaneous deductions	$ 150,527.81	$ 112,058.52	$ 38,469.29	
Income available for fixed charges	$ 33,513,484.19	$ 29,213,102.48	$ 4,300,381.71	
FIXED CHARGES				
Rent for leased roads and equipment	$ 52,888.60	$ 75,237.04		$ 22,348.44
Interest on funded debt	5,654,140.61	5,788,692.29		134,551.68
Interest on unfunded debt	7,627.11	185,385.35		177,758.24
Amortization of discount on funded debt	56,957.31	61,013.24		4,055.93
Total fixed charges	$ 5,771,613.63	$ 6,110,327.92		$ 338,714.29
Net income after fixed charges	$ 27,741,870.56	$ 23,102,774.56	$ 4,639,096.00	
Dividend appropriations of income	$ 10,250,322.00	$ 10,250,322.00		
Balance of income transferred to Earned Surplus	$ 17,491,548.56	$ 12,852,452.56	$ 4,639,096.00	



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